Artisan International Explorer Fund

QUARTERLY
Commentary

Advisor Class: ARDBX | Institutional Class: ARHBX

As of 31 December 2022

Investment Process

We seek to invest in high-quality, undervalued businesses that offer the potential for superior risk/reward outcomes. The investment universe is generally non-US equities with market caps below $5 billion.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Portfolio Management

Beini Zhou, CFA
Co-Portfolio Manager

Anand Vasagiri
Co-Portfolio Manager

N. David Samra
Managing Director

Investment Results (%)

As of 31 December 2022	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Advisor Class: ARDBX	**11.98**	**-2.69**	—	—	—	—	**-2.69**
Institutional Class: ARHBX	**12.04**	**-2.64**	—	—	—	—	**-2.64**
MSCI All Country World ex USA Small Cap Index	13.31	-2.96	—	—	—	—	-2.96

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Advisor (16 May 2022); Institutional (16 May 2022).

Expense Ratios (% Gross/Net)	ARDBX	ARHBX
Annual Report 30 Sep 2022[1,2]	6.08/1.40	2.91/1.35
Prospectus 9 May 2022[2,3,4]	1.65/1.42	1.54/1.37

[1]For the period from commencement of operations 16 May 2022 through 30 Sep 2022. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. [3]See prospectus for further details. [4]Includes estimated expenses for the current fiscal year.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. The Fund's returns may vary greatly over shorter periods due to the limited operating period since inception. Call 800.344.1770 for current to most recent month-end performance.

What Business Are You In?

Last year, we were speaking with the founder and CEO of one of our portfolio companies—an outsourced R&D services provider in France. He has an owner-operator mindset, runs his business sensibly with a net cash balance sheet and allocates capital prudently. During our conversation, a question came up—what business is his company really in? We thought of all the standard answers, but the CEO disagreed and explained without much hubris and in a way that reminded us of Michael O'Leary of Ryanair that they were really more of a human resources company.

After that meeting, we spent a bit of time pondering the same question for us—what business are we really in? Or, more simply, what's one theme that covers everything we do and why we do what we do? Our exercise did not result in something new or radical but pushed an old belief to the surface—we are in the business of compounding our clients' capital, every penny of it. That core belief explains everything we do and allows us to focus on the best risk-reward ideas while remaining benchmark agnostic. After all, why is it necessary to have some or any exposure to a company, industry or geography if the risk-reward is not attractive—regardless of its index association? The belief also allows us to avoid binary outcomes which have the potential to result in profound and permanent loss of capital. It is difficult to compound over time if the drawdowns are big and impossible to compound through a zero. While we are not thrilled about the mark to market performance of our portfolio in 2022, we believe that preserving principal with relatively smaller drawdowns does set us up for better compounding over time.

Now how do we continue to compound? At the beginning of 2022, we thought we already lived in rather interesting times and had no clue about the challenges the world was about to face—war in some parts and civil unrest in others, shortage of energy in some countries and of food in others, incredibly bad politics and policies in some and uncertainty in others, increasing inflation, rising rates and volatile exchange rates, and the list goes on. Despite this uncertainty, we remain steadfast to the four key tenets of our investment process.

Unfortunately, it appears that the uncertainty will continue into 2023. We now have a specter of a third world war or several major regional conflicts at one end and a ceasefire of hostilities and return to normalcy at the other end. So, when our kids introduced us to the new and revolutionary artificial intelligence (AI) tool, ChatGPT, over the holidays, we jumped in and were eager to experiment. However, even the AI bot started to demur on questions about the world's future. As bottom-up investors, we continue to look for idiosyncratic and asymmetric risk-reward opportunities while being macro aware. No matter how the future unfolds, we believe that our time-tested Artisan Partners International Value Team investment process will continue to anchor us well.

Travel

While briefly interrupted by COVID in 2020, our travel resumed in the second half of 2021, and its pace meaningfully picked up toward the end of 2022. During the last two months of the year, we travelled through Houston, Montreal, Mexico, Japan and the UK. In each place, we visited existing holdings as well as new opportunities that we're meeting with in person for the first time. Upon return from a trip, we're often asked to identify a general macro-related trend line, but as generalists, we meet with a variety of industries, and even within the same industry, different businesses often exhibit quite different trends. For example, while the UK-based industrials distribution business with a warehouse in Houston is clearly seeing a slowdown in customer orders given the current macro environment, the China-based precision machining components business with a new plant coming online in Mexico continues to see robust demand from its US-based customers due to the near-shoring trend. The common feeling throughout our trips is a sense of excitement we got from travelling far to meet with management eye-to-eye, observing in close range their body language, walking through newly painted factories, squinting at key performance indicators (KPI) written on warehouse white boards, or watching a live software demo at a customer call center. Following each visit we would say to each other, "there's no way we'd come away with so many insights, positive or negative, if this were done over a video call."

It is possible to successfully invest in a S&P 500 company without ever stepping your foot into any of their offices or facilities. The incremental value of visiting a Microsoft data center or an Exxon Mobil oilfield is likely to be limited. The chances of uncovering a fraudulent situation or a shady CEO among S&P 500 companies are negligibly low. But this is not so for a small-cap company outside of the US whose very name could occasionally be hard for us to pronounce. In most cases, especially when it's a business we've never encountered before, we remain cynical until we kick the tires, place our boots on the ground and meet with management in person.

Even after in-person visits, we cannot be sure of the business' true color, as management or founders we often meet with almost always tend to sing a positive tune of their own business even when facing structural threats. (We've noticed that if people intend to hoodwink you, it can sometimes be easier for them to do that in person than over a video call!) Therefore, on a typical research trip, we don't just meet with current management. We meet with board members, retired CEOs or CFOs, ex-employees and, of course, competitors. During our most recent trip to the UK, one of us travelled close to four hours to the outskirts of London to meet with the ex-CEO of a business we own in our portfolio. It turned into a two-hour chat that gave us unique insights into the evolution of the business and its

industry landscape that would be hard to glean by only talking with current management.

If we've made these trips sound exciting and fun, they are—but they are also exhausting. Just think about the following numbers in terms of hours spent: travel time to and from various locations; 1-hour long actual meetings (except for facility visits or those meetings like in Japan where translation is often needed and we ask for 90 minutes); meeting preparation of at least 4-6 hours; and reviewing and typing up meeting notes for 1-2 hours. Our meeting notes are detailed, self-contained and understandable to all readers, regardless of investment expertise, rather than just in bullet format. The final meeting notes are then saved into our database and become a crucial part of our institutional knowledge base. We believe you'd be impressed if you picked up one of our notes that we accidentally left on an airplane seat.

Our travel and meetings process is systematic and choreographed. When it comes to taking these research trips, we've honed the process over the years as part of the Artisan Partners International Value Team.

What We Bought and Sold in the Quarter

We purchased one new name and sold out of three names in Q4.

We bought Japan-based Sato Holdings (Sato) during the quarter. Sato is one of the largest barcode printer manufacturers in the world, trailing only US-based Zebra Technologies. The company makes printers that print the barcodes and barcode labels that you regularly see in retail shops. This is bit of a razor/razor blade business model, except that thanks to the tight integration of software embedded in these barcode printers, the hardware (barcode printers) is as profitable as consumables (labels). Sato sells to a variety of industries where asset tracking is needed, but its three biggest end markets are manufacturing, logistics and retail. The heath care segment is still relatively small, but it is growing faster as many assets in a clinic or hospital, such as lab test tubes, are better identified and tracked using barcode technologies.

Sato's profit contribution split between Japan and overseas is roughly 50/50. Japan used to represent a larger percentage as Sato's ability to execute technical and consultative sales at domestic customers' sites was severely hampered during COVID. This was a major drag on its profitability in recent years, but as things normalize post-COVID, we expect its domestic profit contribution to recover from this point forward.

One emerging technology that might threaten barcodes down the road is RFID (radio frequency identification), which uses radio waves to identify tagged objects. There is a tiny semiconductor chip embedded in the tag that emits radio waves. Apparel makers such as Zara have started to use RFID in parts of their operations in recent years. RFID is not new, and the technology has been around for decades. However, its adoption has been slow primarily due to its traditionally high-cost base. Even though its cost base has declined substantially over the years, it remains an order of magnitude more expensive than barcode technologies. Therefore, RFID applications have been primarily confined to specific applications with higher-ASP (average selling price) items and where high precision and reliability are required. In fact, leading barcode printers are not standing still as dinosaurs in this case, and Sato has actively embraced RFID technologies over the past decade. Sato sees an era where barcodes and RFID will co-exist with each suited for different applications. RFID now contributes low-to-mid single-digit percent of revenue for both Zebra and Sato, and it's growing fast.

A major part of our thesis on Sato rests on the current CEO, who was promoted to lead the business four years ago. The previous CEO did not run the business well and made a string of ill-executed overseas acquisitions. The current CEO tightened business operations by emphasizing solution sales rather than mere product sales and sold off non-core assets, including its headquarters building and money-losing overseas businesses. Sato's current operating margin is mid-single digit, and the management team has presented a realistic plan to improve the margin to double digits over the medium term.

We initiated our position in Sato at 8X-9X P/E ex cash, and we believe it should be worth at least mid-teen P/E.

On the sale side, we sold Euromoney as the M&A deal to buy the UK business was completed in the quarter. We experienced substantial gains on this name last year, but it should be noted that we voted against the deal because we believed the bid price still meaningfully undervalued the franchise. We're in for compounding of value over the long run, not for a quick gain in the short term, even though we knew its share price would drop substantially in the near term if the deal were voted down.

We sold UK-based Johnson Service during the quarter at a loss. Johnson provides uniform rentals primarily for manufacturing workforces and industrial linen services for hotels, restaurants and catering services in the UK. The company remains a solid franchise as a market leader in its industry, but we've lowered its intrinsic value estimate in the quarter after accounting for recent government policies and their impact on UK-based consumers. We sold out of the position as the discount to our new intrinsic value estimate is no longer attractive.

We sold out of Boyd Group Services in Canada, a chain of auto repair shops in North America, as its share price rose and approached our intrinsic value estimate.

Top Contributors and Detractors

The MSCI ACWI ex USA Small Cap Index had a big double-digit rally in the quarter, roughly equally split between foreign currency

appreciation and return in local currency. The portfolio slightly underperformed the index in the quarter, primarily due to specific detractors in the portfolio, which will be covered below. Since inception of the mutual fund in mid-May, the portfolio has slightly outperformed the index.

Our two largest contributors in Q4 were M&C Saatchi (contributed 166bps) and Mitra Adiperkasa (contributed 153bps).

M&C Saatchi is a UK-based advertising agency and has been our largest position by a meaningful margin since inception. During the quarter, the take-over saga from two bidders which started a year ago finally came to an end with neither bid winning sufficient shareholder approval. Fortunately, its underlying business did not seem to be distracted by the potential takeover as management reiterated its double-digit growth prospect for the remainder of 2022 and 2023. We believe the current share price, trading at around 5X EBIT, has extraordinary asymmetric risk-reward. We'll not completely remain on the sideline and will proactively do our part to unlock value of this franchise.

Mitra Adiperkasa (MAPI) is an omni-channel retailer and local operator in Indonesia for over 150 well-known international brands in food and beverage (e.g., Starbucks), fashion (e.g., Zara), and health and beauty categories, to name a few. This name continued its run as a top contributor in Q4 as the country emerged from COVID and MAPI's retail shops resumed operations. The company announced in Q4 that it delivered a record high profit for Q3 2022. The share price reacted positively and ended the year at low-teen times earnings.

China Isotope and Despegar were the two biggest detractors: China Isotope (detracted 43bps) and Despegar (detracted 39bps).

China Isotope is the dominant radiopharmaceuticals company in China and a subsidiary of a Beijing-based and state-owned enterprise China National Nuclear Corp. The company is a niche specialty pharma business—radiopharmaceuticals pair a radioisotope with a molecular agent designed to localize to specific organs and tissues. One common application of radiopharmaceuticals is oncology diagnosis and therapy. China Isotope has over 50% market share in most of its product lines in China. There was no earnings announcement in the quarter. Its first half of 2022 earnings, announced in Q3 2022, were better than we had anticipated despite severe lockdown in the first half of the year across China. As you might have read in the news, a recent sudden pivot in China's COVID policy has overwhelmed the domestic hospital system, which is the main sales channel for China Isotope. We can only surmise that this might have impacted its recent sales to hospitals. We believe this disruption should be temporary. We continue to hold onto its shares, which are trading at 7X-8X P/E ex cash.

Despegar is the largest online travel agency in Latin America. Two quarters in a row, it's been one of the worst detractors, despite improving travel fundamentals in Latin America. We can only suspect it was distressed sellers that have been putting pressure on the stock in a declining market. As mentioned in the last quarter, we're encouraged to see that, through COVID, management has removed a significant amount of structural costs making it a more efficiently run business than ever. There's now a battle of thoughts in the global travel industry between continuing post-COVID travel recovery and potential recession-induced travel slowdown for 2023. We don't know which side will win, but we do know that Despegar has a very liquid balance sheet, and if and when travel volume recovers to pre-COVID level, we fully expect the company to earn multiples of what it did in 2019. Its share price ended the quarter at below 4X what we consider normal EBIT with close to half of its market cap in net cash. We've added to the position in the quarter.

We look forward to a 2023 that will likely be anything but dull.

ARTISAN CANVAS
Timely insights and updates from our investment teams and firm leadership
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Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by calling 800.344.1770. Read carefully before investing.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging and less developed markets, including frontier markets. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods. Value securities may underperform other asset types during a given period.

MSCI All Country World ex USA Small Cap Index measures the performance of small-cap companies in developed markets and emerging markets excluding the US. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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This summary represents the views of the portfolio managers as of 31 Dec 2022. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Dec 2022: M&C Saatchi PLC 8.4%, Mitra Adiperkasa Tbk PT 5,4%, Despegar.com Corp 4.9%, China Isotope & Radiation Corp 1.5%, Sato Holdings Corp 3.9%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

ESG assessments represent one of many pieces of research available and the degree to which it impacts holdings may vary based on manager discretion.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Earnings Before Interest & Tax (EBIT)** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. **P/E ex cash** is the ratio for valuing a company that measures its current share price relative to its per-share earnings less the company's cash.

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